

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7270

Joint Petition of Verizon New England)
Inc.,d/b/a Verizon Vermont, certain affiliates)
thereof, and FairPoint Communications, Inc. for)
approval of an asset transfer, acquisition of)
control by merger and associated transactions)

Order entered: 1/16/2008

SCHEDULING ORDER RE: MODIFIED TRANSACTION
AND NOTICE OF HEARING

On January 8, 2008, the Petitioners (FairPoint Communications, Inc. ("FairPoint") and Verizon New England Inc., d/b/a Verizon Vermont ("Verizon"), filed a motion to approve a modified transaction under which FairPoint would acquire Verizon's Vermont local exchange and long distance businesses and related transactions. On January 16, 2008, the Public Service Board ("Board") convened a status conference to establish a schedule for considering the modified transaction.

Based upon the Petitioners' proposal, to which other parties agreed, we adopt the following schedule.

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| January 24, 2008 | All responses to Discovery Due. Parties may submit discovery requests at any time. Petitioners will respond as quickly as possible, but no later than this date. |
| January 24, 2008 | Parties file Prefiled Testimony, including supplemental testimony responding to Board questions, Responses to Petitioners' Motion to Approve Modified Transaction, and other comments |
| January 29, 2008 | Evidentiary Hearing (the hearing will commence at 11:00 AM and continue, if necessary, into the evening) |
| February 11, 2008 | Requested date for Final Board Order |

The Petitioners also requested that the Board issue a summary of the decision, including all of the conditions that would apply, by January 30. At this time, we do not anticipate issuing such a summary. FairPoint's acquisition of Verizon is a major decision, affecting the vast majority of telecommunications customers in the state. Considering its significance, it is essential that the parties and the public understand not only what the Board has decided, but also the reasons for that decision. Moreover, we expect that in a complex transaction such as this, our evaluation and conclusion on individual issues may alter the language of the conditions we adopt, so that it is not reasonable to expect that we could reach a conclusion of the specific conditions absent the analysis on the whole. Instead, the conditions will be included in the Final Order, which we will endeavor to issue as quickly as possible.

The schedule we have adopted does not include an opportunity for post-hearing filings. We will set a schedule, if needed, for such filings at the end of the hearing.

The Board also identified a number of issues that the Petitioners need to address in supplemental testimony to be filed as quickly as possible, but no later than January 24. These issues were distributed to the parties at the status conference and are attached to this Order. The Board also requests that the Department address these issues, to the extent possible, in its testimony. Other parties are invited to file testimony on these issues as well.¹

Technical Hearing

A technical hearing will be held in this matter, pursuant to 30 V.S.A. Sections 10, 107, 109, 231 and 311, on Tuesday, January 29, 2008, commencing at 11:00 A.M., at the Public Service Board Hearing Room, Third Floor, Chittenden Bank Building, 112 State Street, Montpelier, Vermont.

SO ORDERED.

1. At the hearing, counsel for the Labor Intervenors observed that its witness would need an opportunity to respond to the Petitioners' supplemental testimony, which may necessitate live testimony. We understand that this may be appropriate if FairPoint's supplemental testimony is not filed in sufficient time to allow Labor's witness to prepare prefiled testimony. The Board would prefer that, to the extent possible, Labor's witness submit his analysis in written form.

Dated at Montpelier, Vermont, this 16th day of January, 2008.

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|-------------------------|---|----------------|
| <u>s/ James Volz</u> |) | |
| |) | PUBLIC SERVICE |
| |) | |
| <u>s/ David C. Coen</u> |) | BOARD |
| |) | |
| |) | OF VERMONT |
| <u>s/ John D. Burke</u> |) | |

OFFICE OF THE CLERK

FILED: January 16, 2008

ATTEST: s/ Susan M. Hudson

Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

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Items to be Discussed in Additional Testimony

1. Dual Pole Removal

- a. Why did the parties not adopt the 12-month pole removal requirement from the Board's Order?
- b. If the Board determines that removal of all dual poles within 12 months is necessary, how would the parties achieve this?

2. Financial Information

- a. Provide additional analysis of FairPoint's free cash flow and cash available after dividends by adjusting the "VoIP" scenario to assume that rates are adjusted in 2010 to pass the operating costs savings from the transaction on to ratepayers.
- b. Using the VoIP scenario as a baseline, how much of a further decrease in revenue or increase in operating or capital costs would be necessary before FairPoint's free cash flow is reduced to zero (in each of the years from 2010 forward).
- c. Provide cash flow projections from 2008 through 2012 using the FASB 95 Direct Method of rendering cash flow. Please include the supporting balance sheets and income statements for each period.
- d. Provide any changes or modifications, if any, made to the original financing terms and conditions.

3. Performance Enhancement Plan

Provide testimony explaining the Plan

4. Performance Benchmark Report

What information that is now provided would not be included in future reports under the agreement?